



**ARKANSAS INSURANCE DEPARTMENT  
LEGAL DIVISION**

1200 West Third Street  
Little Rock, AR 72201-1904  
501-371-2820  
FAX 501-371-2629

**RULE AND REGULATION 20**

**FINANCIAL REPORTING BY LIFE INSURANCE COMPANIES**

**SECTION 1. Authority and Scope**

1.1 These rules are hereby promulgated and adopted pursuant to the authority provided in Ark. Stats. Ann. 866-2111 and 866-3010.

1.2 These rules shall apply to any publication of financial data, whether in the form of a report to shareholders, report to policyholders, prospectus, newspaper advertisement or any other vehicle which is intended to present the company's financial structure or the financial results of its operations.

**SECTION 2. Purpose**

2.1 The purpose of these rules is to assure truthful and complete disclosure of financial information provided shareholders and policyholders of life insurance companies in the form of financial statements directed to such shareholders, such policyholders or the general public.

**SECTION 3. Definitions**

3.1 "Statutory statement" means the statement of financial condition, transactions and affairs prescribed by Ark. Stats. Ann. 866-2220, any abstract of that statement or any statement prepared by the same methods and under the same assumptions.

3.2 "Competent authority" as used in this regulation shall include, but not be limited to, the Securities and Exchange Commission, the Blue Sky Commission of any state or other political body, and any public securities exchange.

**SECTION 4. Standards of Disclosure**

4.1 If a life insurer publishes financial statements prepared on a basis different from the basis of its statutory statements filed with the Commissioner,

(a) such differing statements must disclose that their basis differs from that of the insurer's statutory statements filed with the Commissioner and must, in the case of full 10-year differing statements, be accompanied by

a reconciliation of the figures in such differing statements with figures in the insurer's statutory statements filed with the Commissioner;

(b) such differing statements must have been prepared on a basis which is in accordance with requirements of a competent authority, whether or not such requirements are specifically applicable to the individual insurer;

(c) such differing statements must, if they show an amount of surplus which differs from the amount of surplus on the basis of the insurer's statutory statements filed with the Commissioner; disclose in equal prominence the amount of statutory surplus and any restrictions on any excess of the surplus according to such differing statements over the surplus on the basis of the insurer's statutory statements filed with the Commissioner. Examples of such restrictions include statutory limitations on stockholder and policyholder dividends, since such limitations are in terms of amounts of statutory surplus only;

(d) a copy of such differing statements must be sent to the Commissioner, for information, accompanied in the case of full-year differing statements by: (i) a reconciliation of figures in such differing statements with figures in the insurer's statutory statements filed with the Commissioner, and (ii) additional schedules in the format of Exhibit 3 and Exhibit 4;

(e) a record of the actuarial assumptions underlying such differing statements, together with documentation of the various items of such statements, must be preserved at the insurer's home office for a period of at least five years following publication of such statements.

The reconciliation required by (a) and (d)(i) should be generally in the form of Exhibit 1 and Exhibit 2, which may be expanded to show additional significant detail.

4.2 If the insurer publishes financial information not based on statutory accounting principles, (a) such information must (unless a change in accounting practice or policy has been adopted in the current year, in which case the change must also be disclosed) be consistent with figures in complete statements covering a full year no earlier than for insurer's latest completed fiscal year, which have been prepared and sent to the Commissioner in accordance with the requirements of this regulation, and (b) if such information includes the insurer's surplus according to such differing statements, it must disclose with equal prominence the insurer's surplus on the basis of the insurer's statutory statement filed with the Commissioner and must indicate any restrictions on the excess (if any) of the former over the latter. Examples of such restrictions include statutory limitations on stockholder and policyholder dividends, since such limitations are in terms of amounts of statutory surplus only.

4.3 If a life insurer's differing figures are included in financial statements or other financial information published by a parent or affiliate of the insurer, the insurer shall send to the Commissioner a copy of the published information accompanied by any reconciliation which it would have been required to send to the Commissioner if it had published similar information on its own, except that if two or more life insurers' figures are included in the information published by the parent or affiliate company, such reconciliation may be prepared on the basis of all such insurer's figures combined.

## SECTION 5. Severability

5.1 If any Section or portion of a Section of these rules, or the applicability thereof to any person or circumstance, is held invalid by a court, the remainder of the rules, or the applicability of such provision to other persons or circumstances shall not be affected thereby.

## SECTION 6. Effective Date

6.1 The effective date of this Rule and Regulation is December 31, 1975.

---

Ark Monroe, III  
Insurance Commissioner

EXHIBIT 1

RECONCILIATION BETWEEN STATUTORY CAPITAL  
AND SURPLUS AND STOCKHOLDERS' EQUITY  
AS SHOWN IN ACCOMPANYING STATEMENT

Capital and surplus as shown on page 3, line 30 of statutory statement		\$ _____
Adjustments (to be added or deducted as appropriate):	\$ _____	
Adjustments to policy reserves	_____	
Deferred acquisition costs	_____	
Adjustments arising from special reinsurance agreements	_____	
Adjustments for participating policyholders' interests	_____	
Non-admitted assets	_____	
Mandatory securities valuation reserve	_____	
Deferred income taxes applicable to: Adjustments to policy reserves, deferred acquisition costs, and special reinsurance agreements	_____	
Net unrealized gains on investments	_____	
Other	_____	_____
Stockholders' equity		\$ _____

NOTE: The treatment of investment gains and losses illustrated here is just one of various possible treatments.

EXHIBIT 2

RECONCILIATION BETWEEN STATUTORY NET GAIN  
FROM OPERATIONS AND NET INCOME  
AS SHOWN IN ACCOMPANYING STATEMENT

Net gain (loss) from operations as shown on page 4, line 33 of statutory statement.	\$ _____
Adjustments (to be added or deducted as appropriate):	
Adjustments to policy reserves	_____
Change in deferred acquisition costs	_____
Adjustments arising from special reinsurance agreements	_____
Adjustments for participating policyholders' interests	_____
Deferred income taxes applicable to adjustments to policy reserves and deferred acquisition costs and special reinsurance agreements	_____
Equity in undistributed earnings of unconsolidated subsidiaries, net of related income taxes \$ _____	_____
Income, excluding realized investment gains and losses	_____
Realized investment gains and losses net of related income taxes of \$ _____	_____
Net income as shown in accompanying statement	\$ _____ _____

NOTE: The treatment of investment gains and losses illustrated here is just one of various possible treatments.

EXHIBIT 3: FUTURE POLICY BENEFITS AND INSURANCE IN FORCE

Column A	Column B	Column C	Column D	Column D		
Line of Business <sup>1</sup>	Life Insurance In force	Amount of Future Policy Benefits	Years Of Issue	Bases of assumption		
				(1)	(2)	(3)
				Interest Rate	Mortality	Withdrawals

<sup>1</sup>The required information shall be given for each of the following lines of business: industrial life insurance, ordinary life insurance, group life insurance, individual annuities, group annuities, group accident and health insurance, individual accident and health insurance, credit life, credit accident and health and all other.



EXHIBIT 4: DEFERRED POLICY ACQUISITION COSTS

Column A	Column B	Column C	Column D		Column E	
Line of Business <sup>1</sup>	Balance at Beginning Of period	Additions	Deductions		Balance At close Of period	
			(1) Charged to Costs and Expenses	(2) Charged To other Accounts-- Describe		

<sup>1</sup>The required information shall be given for each of the following lines of business: industrial life insurance, ordinary life insurance, group life insurance, individual annuities, group annuities, group accident and health insurance, individual accident and health insurance, credit life insurance, credit accident and health insurance and all other.